



Spatial Economics Research Centre

Wednesday, 17 June 2009

Digital Britain

There is a strong spatial component to the proposals in the [Digital Britain](#) reported published yesterday. A 50p a month levy on fixed telephone lines will be used to generate a national fund to ensure universal access to broadband by 2012. A big chunk of this money will be spent on rolling out broadband to rural areas.

Providing high fixed cost public goods to sparsely populated areas often requires government intervention. No individual is going to pay the fixed cost if others can just free-ride on their investment. Of course, broadband is actually quasi-public in that you can restrict access to subscribers. This should make provision easier if the aggregate benefits to rural communities outweigh the costs. A tax on rural communities where this is the case can then be used to provide broadband and solves the public good problem.

What if the aggregate benefits to rural communities do not outweigh the costs of provision. There are then two arguments for doing so. One is an efficiency argument. That there are positive externalities to access to broadband. In aggregate, networks certainly demonstrate these kind of externalities (the internet is more useful now more people use it) but the effects of adding small numbers of people are, well, small. You can try some kind of economic development argument (although remember that the individual benefits to businesses directly affected weren't enough to outweigh the costs so you are looking for some kind of externality).

Alternatively, you can resort to arguments around equity not efficiency. As I have discussed before, spatial policy is often not a very good tool for tackling equity issues. In the case of broadband we have a fixed rate levy (which is certainly a regressive tax within the group of consumers that have fixed line and I would assume regressive overall) going to subsidise rural broadband that will benefit a lot of very well off people (as well as helping some rural poor).

One wonders if this is another case where worries about "postcode lotteries" ends up squashing serious debate about spatial policy?

Posted by [Prof Henry G. Overman](#) on [Wednesday, June 17, 2009](#)

 Recommend this on Google

1 comment:



Tim said...

Given that rural areas already have access to the internet via dial-up services and via mobile/3G broadband it is hard to imagine that the externalities to other internet users are large. 3G broadband is fast enough to download pretty much everything except video.

There are of course some externalities from downloading video: Pixie Lott's rural fanbase will find it hard to get her latest video in areas without high speed broadband, but the idea of a poll tax on every landline household in order to allow rural teenagers to download pop videos seems pretty odd policy decision on either equity or efficiency grounds.

17 June 2009 at 09:50

[Post a Comment](#)

[Newer Post](#)

[Home](#)

[Older Post](#)

Subscribe to: [Post Comments \(Atom\)](#)

Simple theme. Powered by [Blogger](#).